

Message Text

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ACTION EUR-25

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E.O. 11652: N/A

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SUBJECT: KEKKONEN SPEAKS ON THE ECONOMY

SUMMARY. PRESIDENT KEKKONEN DELIVERED A SPEECH ON ECONOMIC POLICY TO A WOMEN'S ORGANIZATION (MARTTALIITTO) ON JUNE 8. HE DEPLORED INFLATION BUT REFUSED TO MAKE ANY CONCRETE RECOMMENDATIONS FOR FIGHTING IT. TYPICALLY, HE KEPT HIS OBSERVATIONS ON A PHILOSOPHICAL LEVEL, LEAVING DETAILED DECISIONS, WHICH MUST SOON BE MADE, TO THE GOVERNMENT. END SUMMARY.

1. THE BULK OF THE SPEECH WAS DEVOTED TO DEPLORING THE SOCIAL EFFECTS OF RAPID INFLATION WHICH REDISTRIBUTES THE NATIONAL INCOME TO THE DETRIMENT OF THE WEAKER MEMBERS OF SOCIETY. SOME STRANGE NOTES WERE STRUCK, HOWEVER; "...THE NATIONAL CONSTITUTION SHOULD BE BROADENED SO THAT EACH PERSON WILL BE SECURED THE BASIC LIMITED OFFICIAL USE

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ESSENTIALS: FOOD, CLOTHING, AND SHELTER." AND AGAIN,

"THE SOCIALIST COUNTRIES HAVE SHOWED THEMSELVES TO BE STRONGER THAN THE CAPITALIST COUNTRIES IN THEIR ABILITY TO CURB INFLATION BOTH DOMESTICALLY AND IN THEIR MUTUAL TRADING RELATIONS." THIS SECOND QUOTE WAS IN CONTEXT QUALIFIED BY THE STATEMENT THAT HE DID NOT INTEND TO COMPARE SOCIALIST AND CAPITALIST SOCIETIES IN OTHER RESPECTS BUT WAS IMMEDIATELY CRITICIZED AS IRRELEVANT, UNTRUE, OR BOTH: INDEPENDENT LEFT-OF-CENTER HELSINGIN SANOMAT POINTED OUT THAT "HUNGER DOESN'T OCCUR IN FINLAND; JUST ABOUT EVERYBODY HAS CLOTHING AND, ALTHOUGH THE HOUSING PROBLEM IS DIFFICULT, NEITHER ARE THE SOCIALIST COUNTRIES IMMUNE TO HOUSING SHORTAGES."

2. CLEARLY, THE PURPOSE OF THIS SPEECH, AND OF OTHERS MADE DURING THE PAST FEW WEEKS BY POLITICIANS, BANKERS, AND BUSINESS AND LABOR LEADERS, HAS BEEN TO ATTEMPT TO CRANK UP THE POLITICAL PROCESS AND PREPARE THE PUBLIC TO ACCEPT AN ECONOMIC STABILIZATION PACKAGE THAT IS GOING TO HURT. PRICES ARE RISING AT THE HAIR-CURLING RATE OF 17 PERCENT ANNUALLY, THE CURRENT ACCOUNT IS HEMORREAGING, AND IT LOOKS LIKE THE SITUATION MAY GET WORSE. SOME REMEDIES HAVE BEEN TRIED AND ARE NOT WORKING: THE CENTRALIZED WAGE SETTLEMENT IN APRIL PROVIDED FOR AN ASTONISHINGLY MODERATE PAY INCREASE OF ABOUT 12 PERCENT, IN THEORY THERE IS A PRICE-FREEZE ON, AND AN ASSORTMENT OF INDIRECT IMPORT RESTRICTIONS ARE SUPPOSED TO BE HELPING THE BALANCE OF PAYMENTS. HOWEVER, THE EXTREME LABOR SHORTAGE IS ALLOWING WAGES TO BE BID UP SHARPLY, THE PRICE FREEZE IS A SOURCE OF PUBLIC AMUSEMENT (IT WAS RECENTLY NOTED IN ONE NEWSPAPER THAT THE PRICE OF AN AUTOPSY HAD BEEN RAISED BY 25 PERCENT), AND THE BALANCE OF PAYMENTS HAS NOT RESPONDED TO THE TYPE OF MASSAGING THAT THE GOVERNMENT HAS DARED TO UNDERTAKE WITHOUT BRINGING DOWN THE WRATH OF GATT.

3. SOMETHING HAS GOT TO BE DONE, AND EVERYBODY KNOWS IT. THE GOVERNMENT HAS DECIDED TO FACE THE PROBLEM AND DRAW UP AN ECONOMIC STABILIZATION PROGRAM; IT POSTPONED ITS FIRST SELF-IMPOSED DEADLINE IN VIEW OF THE FACT THAT THREE OF THE COALITION PARTNERS WERE FACING PARTY LIMITED OFFICIAL USE

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CONGRESSES (SEPTEL) BUT IS COMMITTED TO COMING UP WITH SOMETHING--WHICH WILL PROBABLY HAVE TO BE DRASTIC--AND SOON.

4. DECIDING ON THE CONTENT OF THE STABILIZATION PROGRAM CAN BE EXPECTED TO STRAIN, BUT PROBABLY NOT BREAK, THE GOVERNMENT COALITION: THE SOCIAL DEMOCRATS HAVE BEEN CALLING FOR EXPORT TAXES OR REVALUATION OF THE FINNMARK (WHICH WOULD PROBABLY BE ACCOMPANIED BY STRICT IMPORT

RESTRICTIONS), BUT BOTH MEASURES ARE OPPOSED BY THE CENTER
PARTY BECAUSE OF THE EFFECT ON TIMBER PRICES PAID TO THE
FARMERS/LANDOWNERS, ITS PRINCIPAL CONSTITUENCY. PREDI-
TABLELY, BANKERS ARE RECOMMENDING AN INCREASE IN THE
INTEREST RATE, AND INDUSTRIALISTS, WHO HAVE ALREADY GOT
THEIR MODERATE WAGE SETTLEMENT, WOULD PREFER A MORE AUSTERE
GOVERNMENT BUDGET. THE COMPROMISE THAT IS ARRIVED AT
WILL PROBABLY HAVE TO HURT EVERYBODY A LITTLE.

KREHBIEL

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